

Message Text

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ORIGIN OPIC-06

INFO OCT-01 EA-06 ISO-00 EB-07 COME-00 FEA-01 OES-03 /024 R

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R 052318Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

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E.O. 11652: N/A

TAGS: EINV

SUBJECT: DOW CHEMICAL

1. ON JUNE 2, OPIC MANAGEMENT MET WITH DOW OFFICIALS, INCLUDING LUNDEEN, PRESIDENT, DOW PACIFIC, TO REVIEW PROPOSED PROJECTS IN FAR EAST. DOW WAS INFORMED THAT, DUE TO PRESENT EXPOSURE LEVELS, OPIC WOULD BE UNABLE TO MAKE A COMMITMENT NOW TO COVER DOW'S 50 MILLION DOLLARS EQUITY CONTRIBUTION TO PLANNED CAUSTIC CLORINE FACILITY. OPIC

SUGGESTED TO DOW THAT REINSURANCE POOL OF OPIC AND PRINCIPAL USERS, INCLUDING DOW, MIGHT PROVIDE LONG TERM SOLUTION TO PROBLEM OF CONCENTRATION OF OPIC EXPOSURE IN CERTAIN COUNTRIES, INCLUDING KOREA, BRAZIL, INDONESIA, JAMAICA AND THE DOMINICAN REPUBLIC. LUNDEEN AGREED TO CONSULT WITH DOW MANAGEMENT ON THIS POSSIBILITY. OPIC INDICATED READINESS TO TAKE THE LEADERSHIP IN FORMING SUCH A POOL IF THERE IS SUFFICIENT INTEREST BY MAJOR INVESTORS.

2. DOW HAS DECLINED TO PROCEED WITH THE INVESTMENT WITH-
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OUT ADEQUATE POLITICAL RISK INSURANCE.

3. OPIC DECISION BASED ON LEGISLATIVE REQUIREMENT TO

CONDUCT OPERATIONS IN ACCORDANCE WITH SOUND RISK MANAGEMENT PRINCIPLES AND TO TRANSFER DIRECT UNDERWRITING FUNCTIONS TO PRIVATE INSURANCE COMPANIES IN ACCORDANCE WITH PRECISE TIME TABLE. THIS LEGISLATIVE MANDATE CANNOT BE ACCOMPLISHED UNLESS OPIC IS ABLE TO SPREAD INSURANCE MORE EVENLY AMONG RECIPIENT COUNTRIES. TO THIS END, OPIC AND PRIVATE INSURERS HAVE ADOPTED A POLICY OF LIMITING EXPOSURE IN ANY ONE COUNTRY TO APPROXIMATELY 10 PERCENT

OF OPIC'S WORLDWIDE EXPOSURE.

4. OPIC RECOGNIZES POLITICAL-SECURITY ARGUMENTS IN FAVOR OF ENCOURAGING NEW PRIVATE INVESTMENT TO SUPPORT KOREAN DEVELOPMENT AND WILL CONTINUE TO INSURE SMALL, HIGHLY DEVELOPMENTAL PROJECTS. HOWEVER, CONGRESSIONAL INTENT

AND RISK MANAGEMENT POLICIES MAKE INSURANCE OF LARGE PROJECTS SUCH AS DOW'S UNLIKELY UNLESS REINSURANCE POOL OR OTHER RISK REDUCING MEASURES ARE INSTITUTED. DECONTROL AFTER DECEMBER 31, 1976. KISSINGER

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Message Attributes

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Draft Date: 05 JUN 1975
Decaption Date: 01 JAN 1960
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Disposition Approved on Date:
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Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Margaret P. Grafeld
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